

Message Text

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TO USMISSION USNATO IMMEDIATE

C O N F I D E N T I A L STATE 143113

E.O. 11652: GDS

TAGS: EGEN, NATO, XH

SUBJECT: ITEMS FOR JUNE 7 ECONADS MEETING: TOPICS FOR
1978-79 SCHEDULE OF REINFORCED MEETINGS, COLLOQUIUM THEME,
COMMENTS ON PROPOSED REPORT ON ECONOMIC TRENDS IN EASTERN
EUROPE

REFS: (A) NATO 5622, (B) NATO 5619 (C) NATO 5613

1. LIST OF PREFERENCES RECEIVED FROM DEPARTMENT, OER, AND
COMMERCE FOR 1978-79 ECONAD SESSIONS INCLUDES NUMBER OF
THEMES NOT LISTED REFTEL B. U.S. CHOICES FOR DISCUSSION
LISTED BELOW IN APPROXIMATE ORDER OF ENTHUSIASM SHOWN
FOR EACH:

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A. SOVIET EXPORT STRATEGY AND CAPABILITIES (TO
INCLUDE IMPACT OF WESTERN TECHNOLOGY ON SOVIET EXPORTS,
THE ROLE OF COMPENSATION AGREEMENTS, INTENT OR SUCCESS IN
CONTROLLING RAW MATERIALS MARKETS AND THE INTENT AND
SUCCESS IN PENETRATING WESTERN MANUFACTURED GOODS
MARKETS). THIS THEME WAS PROPOSED BY COMMERCE WITH A SIM-

ILAR SUBJECT BEING RECOMMENDED BY OER'S TRADE DIVISION.
THIS WAS COMMERCE'S CHOICE AS COLLOQUIUM TOPIC.

B. SOVIET MERCHANT FLEET. A FOLLOW-UP TO DECEMBER

1977 MEETING.

C. MEETING OF HEADS OF ECONOMIC INTELLIGENCE -- A
FOLLOW-UP TO FEBRUARY 1977 SESSION AT WHICH IT WAS AGREED
TO HOLD SUBSEQUENT MEETING TWO YEARS LATER.

D. DEVELOPMENTS IN THE EASTERN EUROPEAN ECONOMIES
(INCLUDING THE MODERNIZATION AND RESTRUCTURING OF
EASTERN EUROPEAN INDUSTRY).

E. PROSPECTS FOR ECONOMIC REFORM IN EASTERN EUROPE
AND THE USSR.

F. TECHNOLOGY TRANSFER AND EAST/WEST TRADE. THIS
THEME STRONGLY ENDORSED BY SOV AND EUR/EE, WHILE OER
INDICATED THAT THIS TOPIC WOULD BE ONLY OF MARGINAL
INTEREST.

G. SOVIET ECONOMIC ACTIVITIES IN LDCS -- (AN UPDATE
OF THE JUNE 1977 STUDY.)

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IN ADDITION TO TOPICS LISTED ABOVE OER BELIEVES IT WOULD
BE USEFUL TO HAVE REGULAR ANNUAL FOLLOW-UPS ON TOPIC
OF SOVIET DEFENSE EXPENDITURES AND PRC ECONOMY. HOWEVER,
IN VIEW OF FACT THAT THESE MEETINGS SCHEDULED ONLY LATE
IN 1977-78 WORK PROGRAM, THEY MIGHT BE RESCHEDULED IN
EARLY PART OF 1979-80 SCHEDULE.

2. OF THEMES PROPOSED REFTEL B NO ENTHUSIASM WAS VOICED
FOR MAY SESSION ON INFLATION AND DEFENSE EXPENDITURES
AND FEBRUARY'S PROPOSED MEETING ON SOVIET BALANCE OF
PAYMENTS DREW MIXED RESPONSE. QUESTION NEED TO HAVE
TWO SESSIONS AT SIX MONTH INTERVALS ON SOVIET AND EASTERN
EUROPEAN ECONOMIC DEVELOPMENT. REGARDING SECOND APRIL
THEME, SIBERIAN NATURAL RESOURCE DEVELOPMENT, WE WERE
UNDER IMPRESSION THAT THIS WOULD BE DEALT WITH IN MARCH
COLLOQUIUM ON SOVIET REGIONAL DEVELOPMENT. AGREE WITH
MISSION'S ASSESSMENT NOTED REFTEL C QUESTIONING
DESIRABILITY OF SESSION ON SOVIET TRANSPORTATION SYSTEMS.

3. WOULD VERY MUCH LIKE TO SEE MEETINGS ON SOVIET EXPORT
STRATEGY AND SOVIET MERCHANT FLEET INCLUDED IN 1978-79
PROGRAM AS WELL AS A MODIFICATION OF CERTAIN DIRECTORATE

PROPOSED TOPICS TO ACCOMMODATE SOME OF THE OTHER THEMES
PROPOSED IN PARA 1.

4. REGARDING REPORT ON ECONOMIC TRENDS IN EASTERN EUROPE
TRANSMITTED IN REFTEL A WISH TO MAKE FOLLOWING COMMENTS:

A. A GENERAL COMMENT: STUDY SHOULD MAKE CLEAR
THAT STATISTICS FOR NATIONAL INCOME AND INVESTMENT ARE
OFFICIAL EE FIGURES, NOT WESTERN ESTIMATES, USING WESTERN
CONCEPTS OF GNP.

B. UNDER "INVESTMENT," WHAT IS THE BASIS FOR THE
STATEMENT THAT EAST EUROPEAN INCOME GROWTH COULD BE
TWICE AS HIGH IF INVESTMENT WAS EFFICIENT AS IN THE WEST?
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EXPLANATION OF THIS HIGHLY QUESTIONABLE CONTENTION SHOULD
BE PROVIDED.

C. UNDER "FOREIGN TRADE,"

--CHANGE STATEMENT "HARD CURRENCY INDEBTEDNESS
FOR EAST EUROPE STOOD AT ABOUT 30 BILLION DOLS." TO
"...AT SOMEWHAT MORE THAN 30 BILLION DOLS."

--IT IS NOT TRUE THAT EVERY EAST EUROPEAN
COUNTRY REDUCED ITS 1977 HARD CURRENCY TRADE DEFICIT.
HARD CURRENCY DEFICITS LAST YEAR ROSE IN HUNGARY AND
ROMANIA AND STAYED ABOUT THE SAME IN CZECHOSLOVAKIA.

--IT IS QUESTIONABLE THAT COMPENSATION DEALS
PLAYED MUCH OF A ROLE IN REDUCING EAST EUROPEAN TRADE
DEFICITS--WHERE REDUCTION DID TAKE PLACE.

--LENDING MAY NOT HAVE BEEN "FURTHER DISCOURAGED,"
BUT POLAND WOULD STILL FIND IT DIFFICULT TO BORROW LARGE
SUMS ON A COMMERCIAL BASIS. IT WOULD, AT BEST, HAVE TO
PAY MUCH HIGHER INTEREST RATES ON NEW COMMERCIAL LOANS
THAN WOULD OTHER EAST EUROPEAN BORROWERS. BULGARIA'S
CREDIT RATING IS VIABLE ONLY BECAUSE OF THE IMPLIED
SOVIET GUARANTEE ASSUMED BY THE WESTERN FINANCIAL
COMMUNITY.

D. AS REGARDS "GENERAL OUTLOOK," USE OF THE WORDS
"NOT IMPOSSIBLE" IS UNINFORMATIVE. ARE EAST EUROPEAN
ECONOMIC PLANS LIKELY OR UNLIKELY TO BE FULFILLED? WITH
RESPECT TO THE LAST SENTENCE, THERE IS NO EVIDENCE THAT
POLAND IS CONTEMPLATING ANY MAJOR REFORM. NOR IS IT
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IN THE WAY OF ADDITIONAL REFORM. THE MAIN POINT IS THAT HUNGARY'S ECONOMIC SYSTEM IS ALREADY MUCH MORE "LIBERAL" THAN IS TRUE ELSEWHERE IN EAST EUROPE. IN ANY EVENT, LUMPING POLAND AND HUNGARY TOGETHER, AS IS DONE IN THE FINAL SENTENCE, IS MISLEADING.

5. REGIONAL DEVELOPMENT THEME IS FIRST CHOICE OF WASHINGTON AGENCIES FOR MARCH COLLOQUIUM. LIST OF PROPOSED SUB-TOPICS NOTED PARA 5, REFTEL C HAS NOT YET BEEN RECEIVED. NAMES OF POSSIBLE U.S. PARTICIPANTS IN COLLOQUIUM WILL BE FORWARDED SEPTTEL.
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AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

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C O N F I D E N T I A L STATE 143113

FOLLOWING REPEAT STATE 143113 ACTION USNATO DATED JUNE Y6, 1978.

QUOTE: C O N F I D E N T I A L STATE 143113

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